



H. SIMON & SONS LIMITED

MAKERS OF QUALITY CIGARS

TELEPHONE REGENT 7-741 ★



151 ROCKLAND ROAD

TOWN OF MOUNT ROYAL.
MONTREAL 16

FEB 19 1933

February 17th, 1958.

To the holders of the common shares without nominal
or par value of the capital stock of

H. SIMON & SONS, LIMITED:

Sirs:

Enclosed herewith is an Offer made by Consolidated Cigar Corporation ("Consolidated") to each holder of common shares of H. Simon & Sons, Limited ("Simon & Sons") to purchase such common shares, subject to the terms and conditions set out in the Offer, at a price calculated at \$35.00 U.S. per share, payable partly in cash and partly in Common Stock of Consolidated.

Consolidated is a Delaware company, was incorporated in 1919, has its principal executive offices in New York City and is, we believe, the largest manufacturer of cigars in the United States. Its Common Stock, the value of which, for the purpose of calculating the price mentioned in the Offer, has been taken as being \$30.50 U.S. per share, is listed on the New York Stock Exchange and is currently being traded at approximately \$32.00 U.S. per share.

Consolidated's sales of over \$76,000,000 in 1957 were almost double those of ten years ago. Its principal brands, distributed primarily in the United States, include among others Dutch Masters, El Producto, La Palina, Harvester and Muriel. Consolidated employs upwards of six thousand persons, including those in its twelve plants, twenty-two warehouses and sixteen sales branches in various parts of the United States.

Consolidated has expressed its intention to continue Simon & Sons' present Canadian management. The experience of Consolidated in the cigar industry should, we believe, assist substantially in the expansion of Simon & Sons' business, thereby contributing to the growth of the economy of Canada.

You may wish to make your own inquiries before accepting the Offer, but we are able to advise that your directors have carefully considered it and recommend its acceptance. Members of the Simon family have been predominant in the management of the business since before the inception of Simon & Sons. The present officers and directors of Simon & Sons who, together with members of their families, own over 60% of its outstanding common shares, have agreed to accept the Offer.

Yours truly,

H. SIMON & SONS, LIMITED

ARTHUR SIMON,
Chairman of the Board.

EDWARD SIMON,
President.

LA FLORENA
ALL HAVANA CIGARS
CUBAN STYLE

SIMON'S HAVANA CIGARS
IN ALL SIZES
TUEROS - HABANA

EL PRODUCTO
FOR REAL
ENJOYMENT

PANDORA
CEDARAP
AGED IN CEDAR

FEB 19 1958

OFFER

by

CONSOLIDATED CIGAR CORPORATION

to

the holders of the common shares without nominal
or par value of the capital stock

of

H. SIMON & SONS, LIMITED

February 17th, 1958

CONSOLIDATED CIGAR CORPORATION

February 17th, 1958.

OFFER

To the holders of the common shares without nominal or par value of the capital stock of

H. SIMON & SONS, LIMITED:

Consolidated Cigar Corporation ("Consolidated"), a corporation duly incorporated under the laws of the State of Delaware, U.S.A., and having its principal offices in New York City, U.S.A., hereby offers to purchase all the outstanding common shares without nominal or par value ("Simon Common Shares") of the capital stock of H. Simon & Sons, Limited ("Simon"), a company duly incorporated under the laws of Canada, having its head office and principal place of business in the Town of Mount Royal in the Province of Quebec, and to pay for each share the equivalent of thirty-five United States dollars (\$35.00 U.S.) calculated in the manner and payable on the basis as follows:

(a) one-half of one fully paid and non-assessable share of the Common Stock, par value \$1 per share, ("Consolidated Common Stock") of Consolidated, provided that no half share of Consolidated Common Stock shall be issued but in lieu thereof Consolidated will make a cash payment as hereinafter in sub-paragraph (c) provided, and

(b) the cash amount of \$19.35 Canadian;

(c) in lieu of any half share of Consolidated Common Stock which would otherwise be paid, the cash amount of \$14.95 Canadian;

and, in addition, a cash amount to be determined in U.S. dollars, and payable in the Canadian dollar equivalent, which shall be equal to one half of the aggregate amount of all dividends, if any, paid or payable by Consolidated per share of Consolidated Common Stock to the holders of such stock of record after the date of this offer and prior to the date of the issuance of Consolidated Common Stock delivered as part of the purchase price for Simon Common Shares.

The term "Canadian dollar equivalent" used in the foregoing paragraph shall mean, in respect of any such dividend, the amount in Canadian dollars corresponding to the U.S. dollars amount at the noon rate of exchange reported by the Bank of Canada on the day on which such dividend is declared.

The shares of Consolidated Common Stock to be issued in payment as aforesaid shall be listed on the New York Stock Exchange upon official notice of issuance thereof.

This offer is made upon and is subject to the following terms and conditions:

1. Acceptance by you of this offer may only be effected and evidenced by your depositing on or before June 17th, 1958, with Imperial Bank of Canada ("Bank") at its offices at 610 St. James Street West, in the City of Montreal, the certificate or certificates representing all Simon Common Shares owned by you and duly endorsed in blank for transfer or accompanied by an appropriate irrevocable stock transfer power duly executed in blank and in either case with signature guaranteed by a Canadian chartered bank, or by a firm having membership on a recognized stock exchange in Canada, or with signature guaranteed in some other manner satisfactory to the Bank, such share certificate or certificates to be in all respects acceptable for transfer and to be accompanied by a duly completed and signed letter of transmittal in the form herewith enclosed.

2. Payment in respect of Simon Common Shares deposited by you and purchased by Consolidated will be made by Consolidated to the Bank as your agent, and the Bank will, upon receipt thereof, forward to you via registered mail (a) a certificate or certificates representing the appropriate number of shares of Consolidated Common Stock, and (b) a cheque payable in the appropriate aggregate cash amount of Canadian dollars at any branch in Canada of the Bank.

3. This offer shall not become binding on Consolidated unless:

(a) certificates representing at least nine-tenths (27,045) of the outstanding Simon Common Shares are deposited on or before June 17th, 1958, and in the manner hereinabove provided;

(b) Simon is and shall be at the Closing Date (as hereinafter defined) a valid and subsisting

company incorporated under the laws of Canada and, in respect of every jurisdiction in which it carries on business, duly licensed, qualified and in good standing, with an authorized capital stock consisting of 5,000 5% cumulative preferred shares of the par value of \$100 each and 50,050 common shares without nominal or par value (none of which shall be under option or other commitment) of which there are and shall then be validly outstanding, fully paid and non-assessable, 3,631 of the said preferred shares (none of which shall have been called for redemption or agreed to be purchased for cancellation) and 30,050 of the said common shares, and has and shall have (i) no debt maturing in more than twelve months or be under any agreement to create or issue any such debt, and (ii) no subsidiaries;

(c) (i) the balance sheet of Simon as at December 31, 1956, reported on by Messrs. Rathie, Woodall & Wilton, correctly sets forth the financial position of Simon as at said date and in particular, without in any way limiting the generality of the foregoing, includes all liabilities of every nature, including but not limited to all liability or provision for taxes of any and every kind due or to become due, of Simon as at said date; the business of Simon shall have been carried on in the ordinary course between December 31, 1956 and the Closing Date; and Simon has and shall have at the Closing Date good and marketable title to all of its property and assets, including without limiting the generality of the foregoing, all assets reflected on the balance sheet as at December 31, 1956, except as since sold or otherwise disposed of in the ordinary course of business; and (ii) the net worth of Simon as at December 31, 1957, determined in accordance with sound accounting practices consistent with the practices employed in the preparation of Simon's said balance sheet as at December 31, 1956, shall be not less than \$1,079,877.14 Canadian;

(d) at the Closing date (i) there shall have been no change in the financial position of Simon as shown in its said balance sheet as at December 31, 1956, except as shall have occurred in the ordinary course of its business and for the purpose of carrying on the same; (ii) there shall be no suit or other legal proceeding pending or threatened against Simon involving more than \$50,000 in the aggregate; (iii) Simon is carrying on as a going concern its business of manufacturing and distributing cigars; (iv) since December 31, 1956, there shall have been no dividends or other distributions of assets whatsoever to shareholders of Simon, other than regular quarterly dividends on its preferred shares of \$1.25 per share and regular quarterly dividends on its common shares during 1957 not exceeding 30 cents per share, or as shall have been approved in writing by Consolidated; and (v) there shall have been no supplement to Simon's letters patent since December 14, 1945, and no change in its by-laws since December 23, 1957, except as shall have been approved in writing by Consolidated;

(e) Consolidated at the Closing Date shall have received (i) from its own solicitors (who may rely on opinions of other solicitors) and also from Messrs. Genser and Phillips, solicitors of Simon, a favourable report with respect to all legal matters (including titles, incorporation, organization and issuance of shares) pertaining to Simon and which, in the opinion of the solicitors for Consolidated, are material in connection with the transactions herein contemplated, provided that the amount of legal fees and expenses payable by Simon itself in connection with and resulting from this offer shall not exceed \$5,000; and (ii) from its own auditors such report with respect to the balance sheet of Simon as at December 31, 1957, and such report with respect to the matters referred to in sub-paragraphs (b), (c), (d) and (g) (i) of this paragraph 3; all as Consolidated may in its discretion require; and all records, books of account, documents and information which said solicitors and said auditors may reasonably require shall have been supplied or made available to them.

(f) at the Closing Date no officer, director or employee of Simon shall have any contract or agreement with Simon, not terminable by Simon without penalty or claim on notice of not more than three months, and that (i) such officers, directors and employees of Simon as Consolidated may specify shall have executed releases of all claims or demands against Simon, except claims for accruing salaries and expenses payable thereafter in the ordinary course of business and except claims under retirement or pension agreements now in force; and (ii) a meeting of directors of Simon shall have been held at which such directors and officers of Simon as Consolidated may specify shall have resigned in favour of nominees of Consolidated and such nominees of Consolidated shall have been elected as directors and officers of Simon;

(g) at the Closing Date (i) Simon shall have no commitment or agreement which might materially and adversely affect the assets or earnings of Simon other than such as has or may have been entered into in the ordinary course of business and, in any event, will not extend beyond one year, or as shall have been approved in writing by Consolidated; and (ii) Simon's buildings shall be in good condition and repair and its equipment shall be in good operating condition, subject in each case to ordinary wear and tear and to damage by fire or other insured casualty, and shall be in conformity with all applicable ordinances, regulations, building, zoning and other laws;

(h) at the time of compliance with or fulfillment of all of the conditions stated in the foregoing sub-paragraphs (a) to (g) inclusive, or not later than thirty days thereafter, there shall have

been completed all action necessary to comply with any law, or any regulation of any Securities Commission or any other body having jurisdiction, or any rule or requirement of the New York Stock Exchange on which Consolidated Common Stock is listed, requiring Consolidated to take any action in connection with the Consolidated Common Stock to be delivered as part of the purchase price of Simon Common Shares, or any other laws, rules or regulations, as Consolidated may deem applicable, provided that Consolidated will use its best efforts to complete such necessary action.

The foregoing conditions (a) to (h) inclusive are inserted for the exclusive benefit of Consolidated and may be waived in whole or in part by it at any time, provided, however, that Consolidated shall not purchase any Simon Common Shares unless at the Closing Date it shall purchase pursuant to this offer collectively not less than 51% of all the outstanding Simon Common Shares; and further provided that Consolidated shall, if and when purchasing any Simon Common Shares pursuant to this offer, purchase not less than all Simon Common Shares in respect of which certificates in form acceptable for transfer have then been duly on deposit with the Bank during the ten days last preceding such purchase.

"Closing Date" means the date on which Consolidated delivers to the Bank the purchase price or consideration for the Simon Common Shares first purchased pursuant to this offer.

4. All Simon Common Shares represented by the certificate or certificates deposited by you as hereinbefore provided will, subject to the provisions of paragraph 3 of this offer, be purchased and paid for by Consolidated in accordance with and subject to the terms of this offer or the certificate or certificates and stock transfer power will be returned to you not later than ten days after the expiration of the time for the acceptance of this offer.

5. Any security transfer taxes in respect of the Simon Common Shares purchased pursuant to this offer, the charges of the Bank in connection with this offer and the expenses of printing and transmitting this offer to the holders of Simon Common Shares shall be paid by Simon.

6. Consolidated is desirous of acquiring all the outstanding Simon Common Shares and, if the conditions of Section 128 of the Companies Act (Canada) are fulfilled, intends to invoke the provisions of such section.

7. Holders of Simon Common Shares who wish to forward their certificates by mail are advised to use registered post for their own protection.

CONSOLIDATED CIGAR CORPORATION

by J. ROBERT BAYLIS,
Treasurer.